

Housing Resource Manual

PART 4: HOME PURCHASE

If your income is sufficient and stable you may wish to consider buying a house. If you are a single individual receiving the typical Supplemental Security Income (SSI) payment of \$555/month, buying a house by yourself may not be an option for you at this time. Your options would be increased by buying a house with another person and seeking financial help from family members or other assistance programs.

Homeownership can mean that your house payment will remain pretty much the same even during a period when real estate prices are increasing rapidly, it gives you more control over your housing. There are other advantages too, including the ability to use the mortgage interest tax deduction. But homeownership also brings with it a number of responsibilities. As a homeowner, you must earn sufficient income to make your mortgage payment which typically includes PITI (principal, interest, taxes, and insurance) as well as pay for utilities and the upkeep of your house, lot, and appliances.

A. Strategies for Home Purchase

One way to reduce your housing cost, while at the same time retaining many of the benefits of homeownership, is to look at the many ways of owning housing. The strategies listed below may sometimes be used together or independently:

1. The Maine State Housing Authority (MSHA)

MSHA currently underwrites approximately 20% of all mortgages in the state. MSHA is a resource for information, education, and access to below market interest rate loans. Issues, information, and resources provided by MSHA and their agents (see Appendix A) include details on: affordability, pre-qualification of financing, locating a house, negotiating a purchase and sales agreement, identifying responsibilities of homeownership, maintaining property, and obtaining financing.

MSHA can be reached at (207) 626-4600, TTY:1-800-452-4603 or www.mainehousing.org

2. United States Department of Agriculture, Rural Development, Rural Housing Service.

Home ownership loans available through the Rural Housing Service (RHS) are available to low and moderate-income families. Nationwide, over 2 million families now own their own homes as a result of the RHS homeownership programs. RHS offers two types of homeownership loans: guaranteed and direct loans. The purpose is to provide financing--with no down payment and at favorable rates and terms--either through a direct loan with RHS or with a loan from a private financial institution that is guaranteed by RHS. These loans are for the purchase, construction, rehabilitation, or relocation of a dwelling and related facilities for low or moderate-income rural persons.

RHS can be reached at (207) 990-9110, TDD: (207) 942-7331 or see Appendix A for additional contact information.

3. Coastal Enterprises, Inc. (CEI)

CEI is another resource organization that can be very helpful towards the goal of homeownership. CEI's housing department has helped over seventy-five persons with disabilities obtain and retain their own homes.

CEI can be reached at (207) 882-7552 or www.ceimaine.org

▪ Lease-Purchase

A lease-purchase option is a good way to become a homeowner if you have sufficient income to buy a house but do not have enough money for a downpayment, need time to repair your credit history, or need to pay off some long-term debt.

CEI's Lease Purchase Program typically allows you to lease the house you wish to buy for an average of two years before you are required to purchase the property. A variety of services, aimed at putting you in a strong position to purchase and to be a successful homeowner, are available throughout the lease period. A nonprofit housing organization actually purchases the property and leases it to you, selling it to you when you become ready to buy.

▪ Homeownership Assistance Venture (HAV II)

The Department of Health & Human Services, DHHS, in conjunction with CEI has operated a homeownership program specifically designed to help eligible consumers of DHHS become homeowners. The program is intended to assist first time homeowners with downpayment, closing costs, and/or to reduce the buyer's monthly mortgage obligation.

The HAV II funds are used to offer a 'soft second' mortgage to eligible participants. This mortgage is a lien on the property, however no monthly payments are required and it is only repaid through the sale, transfer, or refinance of the property.

This program is funded through grants from a variety of sources. Occasionally, available funds are spent before new grants can be obtained, so there may be periods when applications are not being accepted or there may be restrictions on the eligible populations to be served.

4. Co-ops

Although a limited model in Maine, housing cooperatives, or co-ops, may be an option for people who, because of income or credit history may have difficulty qualifying for mortgage financing on their own. Under a co-op model, the lender gives what's known as a "blanket mortgage" to the corporation, not to any particular individual. Clearly, the lender must feel that the co-op is a good credit risk, and it will look to some degree to the income and assets of individual members. Co-op members pay a small fee to "buy" the right to live in a unit, and then are responsible for a monthly payment thereafter (their share of the co-op's loan and other expenses).

A group of mental health consumers formed the first consumer run co-op in Maine in 1993 and it is one of two still operating today; it is called "The Together Place." Co-ops are useful because they offer most of the benefits of homeownership, such as the right to live in a unit and to pass it on to your heirs, while at the same time sharing some of the responsibilities (such as the cost of maintenance). Co-ops may look like regular apartment complexes or may include single-family homes as well. Many Co-ops hire third party property managers to handle finances, as it may be difficult for a Co-op member to evict their neighbor and friend.

5. Community Land Trusts (CLTs)

Another limited housing model in Maine are CLTs. CLTs are designed to own and hold the land on which housing is located. In this scenario, you may own your house outright, but not the ground it sits on. Instead, the land is owned by the CLT, and you would have a long-term lease (lifetime or 99 years) that you could pass on to your heirs. The benefit is that, over the long term, the land is removed from the speculative real estate market so that the ground lease (and thus the housing) remains affordable to lower income people.

6. Home Sharing

If you do not have sufficient income to buy a house yourself, one option is to carefully consider buying with a friend or relative. You do not have to be married or a blood relation to buy a house with someone else. If you purchase with a conventional mortgage the other person doesn't even have to live there- more restrictions apply with government programs such as RHS or the Maine State Housing Authority. If you decide to use this option, you need to be sure you are compatible with the other person, and (even if you are) agree in writing up front how you will handle it if one person decides to sell out and move on.

Another way to reduce your housing costs once you have purchased a house is to rent a room to someone. Again, restrictions apply with government mortgage financing and insurance programs, however, there are typically none if you use conventional financing.



If you share your home/apartment or rent a room to someone this may interfere with your ability to receive public assistance, housing and rental subsidies, services, General Assistance, and SSI/SSDI as many of these programs are based on household composition and household income.

7. Housing Choice Vouchers

It should be noted the U.S. Department of Housing and Urban Development allows Public Housing Authorities and Housing Agents the option to utilize the Housing Choice Voucher program towards homeownership subsidy or downpayment. At the time of this publication, only a few PHAs or Housing Agents in the country have implemented this option. Maine is not one of these.

B. Strategies for Maintaining and Improving your Home

If you are faced with repairs that cost more money than you have available, there are several programs that can provide some assistance. Most of these are loan programs; housing rehab grants are very limited and scarce. These programs are listed below.

1. Community Action Programs (CAPs)

The community action programs are the anti-poverty programs located in each county in the state. CAPs do not all offer exactly the same programs, but most of them can offer you what is listed below. Call your local CAP to see what resources they have available (see Appendix C).

- Weatherization- This is a federal grant program designed to increase the energy efficiency of residences. You have to be income eligible to receive the assistance, and can only get it once in every 5 to 10 years.
- Central Heating Improvement Program (CHIP)- This is another federal grant that can be used to help replace very inefficient or defective furnaces. Again, you must be income eligible to receive assistance. In both this program and Weatherization, CAP employees will take care of the inspections, the estimating, and working with contractors to do the work.
- Home Rehabilitation Loans- MSHA has developed a pilot program, HoME, a low interest (1%), loan program designed to assist low-income homeowners with needed repairs. If you are of low income and can't qualify for regular lender financing because of limited affordability or other reasons, this may be the program for you. The loan limit is \$15,000 with a repayment period of 15 years. A wide variety of repairs are eligible, and usually the whole house must meet housing quality standards when the repairs are

complete. Homes built before 1978, in which lead paint may have been used, are eligible for grants of up to \$10,000. Examples of work which might be done with the grant include siding, window replacement, or replacement of interior wallboard. Replacement home loans may be available on a limited basis. As with the First-Time Homebuyer program, CAPs originate the loans and sell them to the Maine State Housing Authority. In some cases, CAPs may have limited ability to make loans from their own revolving loan funds. Again, not every CAP participates in the program.

- Rural Housing Service- Housing Preservation Grants (HPG)- The Rural Housing Service has a very limited amount of money for grants to low-income homeowners for needed repairs. Where possible, Rural Housing Service may link the HPG funds to a HoME loan to reduce the cost to the homeowner of making all the repairs needed to bring the house up to code. These funds are administered through three or four Community Action Programs, but are extremely limited (only \$60,000 available statewide in FY 2001).

2. Rural Housing Service Section 504 Grants and Loans

This is a home repair program that provides loans of up to \$20,000 at low interest rates, as low as 1%, and fixed terms for qualifying low-income homeowners. In addition, homeowners aged 62 or older who cannot repay a loan may receive a grant of up to \$7,500 to make needed repairs. You can apply for this program through any Rural Housing Service office (see Appendix A).

3. The Building Materials Exchange

The Building Materials Bank (BMX) operates what is essentially a “Goodwill” for building materials. The BMX receives donations of new and used building materials and sells them at substantial savings to homeowners. Anyone may shop at the BMX, but some materials (such as lumber, insulation, new windows, and other materials critical to making a house warm and weathertight) are reserved for exclusive purchase by low-income homeowners who are qualified as members. Members also pay a lower price on all products. There are two warehouses, one in Gray and one in Sanford. The Gray warehouse can be reached at 207/ 657-2957, and Sanford at 207/324-4574